

Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 L-03 EB-07 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 FEAE-00 OES-06

IGA-02 JUS-01 INT-05 DODE-00 PM-04 H-02 NSC-05 PA-01

PRS-01 SS-15 /098 R

DRAFTED BY ARA:NC:TWSONANDRES

APPROVED BY ARA:NC - MR. DEVINE

L/ARA - MR. KOZACK (PHONE)

EB/OIA - MR. STEBBING

ARA/ECP - MR. STERN (INFO)

EB/FSE - MR. HART

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R 281315Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

C O N F I D E N T I A L STATE 102694

E.O. 11652: GDS

TAGS: ENRG, PFOR, VE, US

SUBJECT: OCCIDENTAL PETROLEUM BRIBERY CASE

REF: CARACAS 4543

1. WILLIAM F. MCSWEENY, OCCIDENTAL INTERNATIONAL CORPORATION SENIOR EXECUTIVE VICE PRESIDENT, VISITED DEPARTMENT APRIL 22 (PRIOR TO RECEIPT OF REFTTEL) TO DISCUSS COMPANY'S VENEZUELAN SITUATION.

2. MCSWEENY LED OFF BY REFERRING TO OCCIDENTAL'S CONCERN FOR THE SECURITY OF ITS CARACAS MANAGER WILLIAM GLADDEN
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WHO HAD RECEIVED THREATENING NOTE (COPY BEING POUCHED

CARACAS) POSTMARKED MARCH 29. THOUGH THE COMPANY HAD MOVED THE GLADDEN FAMILY FROM VENEZUELA AND HAD LIMITED GLADDEN TO FLYING IN AND OUT OF CARACAS THE SAME DAY, IT STILL FOUND THE PROBLEM WORRISOME.

3. MCSWEENEY THEN TURNED TO OCCIDENTAL BRIBERY CHARGES. HE NOTED THAT THE BICAMERAL VENEZUELAN CONGRESSIONAL COMMISSION HAD CORRECTLY CONCLUDED THAT THE COMPANY HAD NOT BRIBED GOV OFFICIALS CONCERNED WITH ITS SERVICE CONTRACT. HE SAID ALLEGATIONS OF ILLEGAL PAYMENTS INVOLVED EX-OCCIDENTAL EMPLOYEES ACTING ON OWN AFTER

LEAVING OCCIDENTAL. MCSWEENEY SAID THAT ASKEW HAD USED A \$3 MILLION ADVANCE OVERRIDING ROYALTY PAYMENT FROM OCCIDENTAL TO PAY OFF OBLIGATIONS ARISING FROM HIS BUSINESS DEALINGS IN VENEZUELA NOT INVOLVING OCCIDENTAL. IN AN ASIDE, HE LAMENTED THAT OCCIDENTAL HAD MADE SEVERAL POOR HIRING CHOICES IN ITS VENEZUELAN OPERATIONS.

4. AT THE MOMENT, MCSWEENEY SAID, OCCIDENTAL ONLY SOUGHT COMPENSATION FOR THE \$43 MILLION INVESTMENT SUNK INTO ITS SOUTH LAKE MARACAIBO BLOCK E SERVICE CONTRACT. THE COMPANY HAD NO PLANS TO SEEK POST-NATIONALIZATION CONTRACTS OR COMPENSATION FOR AN ADDITIONAL \$30 MILLION INVESTED IN A LAKE MARACAIBO BLOCK A CONTRACT WHICH HAD PROVED NON-COMMERCIAL AND, PURSUANT TO VENEZUELAN LAW, WAS A RISK INVESTMENT ENTIRELY INCURRED BY THE COMPANY. AT THE MOMENT, BLOCK E WELLS WERE CAPPED AND THE OCCIDENTAL CARACAS OFFICE WAS MANNED BY ONLY FOUR VENEZUELAN EMPLOYEES. MR. MCSWEENEY PLEADED IGNORANCE ON OTHER ASPECTS OF OCCIDENTAL'S VENEZUELAN OPERATION, NOTING THAT MR. GLADDEN HAD ONLY RECENTLY RETURNED TO HIS WORK AFTER A ONE MONTH'S VACATION.

5. MCSWEENEY ASKED DEPARTMENT OFFICERS IF REPRESENTATIONS ON OCCIDENTAL HAD BEEN MADE TO THE GOV AND SOUGHT AMPLIFICATION OF AMBASSADOR SHLAUDEMANN'S RECENT REPORTED COMMENT TO MR. GLADDEN THAT THE DEPARTMENT WAS CONCERNED OVER THE CASE. WE CONFIRMED THAT WE WERE CONCERNED THAT THE BRIBERY ISSUE NOT BE USED TO DENY COMPENSATION
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UNFAIRLY AND INFORMED HIM THAT WE WERE DISCUSSING WITH YOU WHAT ROLE USG SHOULD PLAY. WE POINTED OUT, HOWEVER, THAT WE WERE CURRENTLY DEALING WITH AN OPPOSITION-CHAired CONGRESSIONAL COMMITTEE REPORT, NOT A GOV DECISION.

6. THE INFORMATION IN THIS CABLE WAS GIVEN THE DEPARTMENT AS PROPRIETARY AND NOT FOR DISSEMINATION TO THIRD PARTIES. MR. MCSWEENEY WAS PARTICULARLY SENSITIVE THAT

THE THREATENING NOTE NOT BECOME PUBLIC KNOWLEDGE. SISCO

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